

COMPETITION & INNOVATION: THE NEW COMPETITIVE ADVANTAGE

REMARKS

(as prepared)

BY

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**BEFORE THE
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Introduction

Good Morning. On behalf of the President of the United States and the Secretary of Commerce, Carlos M. Gutierrez, I bring greetings to Linda Mayson, President of the Rotary Club of Mobile, Win Hallett, President of the Mobile Area Chamber of Commerce; Bester Ward, the incoming Chairman of the Mobile Chamber of Commerce; Michael Pearce, MLK Redevelopment Corporation; Cheryl Thompson, Vice President of Mobile Division - Alabama Power; Congressman Joe Bonner from the U.S. House of Representative; and members and guests of the members of the Mobile Rotary Club. Thank you for the privilege of speaking before this historic organization. I am honored to be here on the occasion of the grand opening of the Alabama Minority Business Enterprise Center (MBEC).

Acknowledgements

I want also to acknowledge and thank the members of the Alabama Congressional delegation and their respective staff for assisting the Minority Business Development Agency (MBDA) team in making today a reality for the greater Mobile area, and the State of Alabama.

Finally, I extend a special note of appreciation to the staff of the Mobile Chamber of Commerce for their support, counsel and interest in assisting MBDA with its mission of establishing and growing minority-owned businesses. Last spring, I convened a managers meeting at this very hotel to

explore the possibilities of establishing a presence here. What we found was a beautiful city, a vibrant leadership, a legacy of American history, and a community unafraid to meet the challenges of change.

In 2005, Hurricane Katrina and Rita challenged the Bush Administration to make a national commitment to rebuild the Gulf Coast stronger and more competitive through the use of smart technology. This Administration has not forgotten the people of the Gulf Coast and as Secretary Gutierrez has noted during his many visits in the Gulf region, “we will be here assisting you on the very last day of this administration.” MBDA is here today to honor that commitment.

MBDA the Entrepreneurial Organization

The Minority Business Development Agency, established by Executive Order under President Nixon in 1971, is an entrepreneurial organization committed to serving entrepreneurs. Our mission is to enhance the growth and expansion of minority business enterprises nationally. We are skilled in providing technical and managerial assistance targeted to entrepreneurs and especially strategic growth firms. We are dedicated to this mission even more so today because being competitive in the 21st century global economy requires the full participation (and success) of all Americans and all U.S. businesses.

Inherent in MBDA’s mission of fostering the establishment and growth of minority business enterprises is a fundamental appreciation that the entrepreneurial spirit is what built this great country, and; it is what keeps

this country strong and competitive. The renowned scholar and guru of business entrepreneurship, Dr. Peter Drucker, noted that the great success, wealth and competitive advantage of the United States, compared to the rest of the world, is the fact that the United States is driven by an “entrepreneurial economy.”

Like it or not, America is actively engaged in the worldwide economy and the competition is fierce. American competitiveness is *intricately* linked to entrepreneurship and innovation. The core and heart of American entrepreneurship is the creative drive of individuals from the public, private, non-profit and faith-based communities of our nation.

It is this entrepreneurial organizational culture that MBDA strives to unleash, nourish and promote.

The National Demographics

According to 1997 and 2002 data from the U.S. Census Bureau, minority-owned firms are growing at a faster rate than the national average. They generate long-term employment and economic growth in their local communities and nationally.

The trend and trajectory of minority business enterprise growth is positive and upward. MBDA’s most recent report, *The State of Minority Business Enterprises*, which is based on data from the Census Bureau, revealed that since 1997, the number of African American firms grew by 45%; Hispanic

firms grew 31%, Asian firms grew 24% and native Hawaiian and Pacific Islanders increased by [49%?].

The dramatic growth of Black business firms, which exhibited also a 25 percent increase in annual gross receipts over the same period, is worth noting.

Total gross receipts for all minority owned firms was \$668 billion, up 13% over 1997. Over this same time period, the number of people employed by minority owned firms grew by 5% to 4.7 million workers.

Mobile: The State of Minority Business Enterprise

- *In 2002, there were over 4, 250 minority firms in the Mobile, Alabama – Metropolitan Statistical Area (MSA). Statistics for the Mobile MSA in 2002 include Mobile County.*
- *Minority firms generated over \$343 million in annual gross receipts and employed over 3,000 workers.*
- *Minority firms represented 15 percent of all firms located in the State of Alabama.*
- *African American-owned firms experienced a large growth in number of firms (27 %) and annual gross receipts (105 %), from 1997 to 2002.*
- *The number of Asian, Native Hawaiian & Other Pacific Islanders-owned firms increased by 37%, and their gross receipts by 31% during the same period.*
- *In 2002, minority-owned firms in the Mobile, AL - MSA were more concentrated in the following industries: other services; health care and social assistance; and administrative support, waste management, and remediation services.*

The New South

My parents are southerners who moved north in the 1940's as part of what sociologists call the great migration of African Americans to the urban manufacturing clusters seeking jobs and also an escape from the legacy of the South. I am not naïve about this legacy. However, I am an American who is very romantic and enthusiastic about the *American Mission*.

I believe we share a common romanticism about the realities and limitations of the *American Mission*. The South holds the key to exponential growth, competitive land, raw materials, skilled labor, a gateway to Central and South America and ancestral linkages to Africa. The South with its historical colleges and universities, and faith-based entities is well positioned to forge strategically forward through cooperative sustainable development.

The MBDA presence in Mobile and the State of Alabama is not about the politics of displacement. It is not a tactical game of zero sum gain for some at the expense of others. Our presence is part of a Gulf Coast Strategy to rebuild and expand the competitiveness of the region. To be successful, the Mobile community must embrace the value proposition of building and growing minority-owned businesses as part of an overall business development strategy.

Minority Business Enterprise Development: The *Business Case*

The business case for minority business enterprise development in the State of Alabama, and particularly in greater Mobile, [when linked strategically to

Biloxi, Mississippi, New Orleans, and Baton Rouge, Louisiana] represents an opportunity for economic resurgence in the deep south driven by a re-emerged, vibrant, and smart economy of the Gulf Coast region.

Mobile is well positioned as a staging point to lead the Gulf Coast re-emergence and also a strategic force in the competitive advantage of the lower south and delta regions. Your greatest ally in this vision is the Southern Growth Policy Board. I applaud their vision of pursuing the initiative “*Invented Here: Toward an Innovation Driven Economy.*”

Minority business enterprises nationally have been part of the growth and expansion in technology intensive industries, particularly in electronics and computers. Minority entrepreneurs are also a driving force nationally in Innovation-Driven companies. Globally, minority business entrepreneurs from distant lands and far away shores are investing and creating American companies and are highly engaged in reverse-direct investment in their country of origin. They are creating jobs and building wealth in large and particularly, small and mid-size communities.

In the area of supply chain and supplier development, minority entrepreneurs are being recognized as a new resource of local talent with competitive advantages to engage the global market where often large companies have no interest or cannot justify the investment costs associated with emerging markets. We believe it is critical for MBE's to integrate themselves in local, domestic and global supply chains. We want MBEs to master the supply chain and provide the logistics life line for American businesses globally.

The Challenge

National statistics reveal between now and 2050; the fastest growing segment of the U.S. population will be among minorities. Equally significant the growth in the U.S. labor force will largely come from the minority segments of the population. Much of minority growth will be fueled by immigration. The United States will once again become a *nation of immigrants*. The difference will be that the immigration will be comprised of people of color. The challenge for the United States and particularly the South is to anticipate, adapt and strategically prepare to take advantage of the demographic change.¹

Some will fear this change. I say, let us embrace and welcome the change. Some will complain about the burden and costs of immigration or the shifting of minority populations to majority status in some states or local communities. I believe the positive rewards of inclusion, diversity and the growth of minority business enterprises will far outweigh the negative externalities based upon fear and ignorance.

America, more than any other country in the world, looks and speaks like every other country in the world. This is our strength and *competitive advantage* in a 21st Century worldwide economy.

¹ See: Comments by Dr. Matthew Slaughter and Dr. Andrew B. Bernard, Tuck School of Business and National Bureau of Economic Research, in: *The Life Cycle of a Minority Owned Business: Implications for the American Economy*, National Minority Business Enterprise Week, 2004 Conference, Washington, D.C.

Competition & Innovation in a Vibrant Economy

The President and the Secretary of Commerce are committed to “keeping American business strong.” They believe business leaders are true heroes in our economy. In February of 2006, the President introduced the American Competitive Initiative (ACI) noting “one of the great engines of our growing economy is our Nation’s capacity to innovate. He committed \$5.9 billion in FY 2007 to increase investments in research and development, strengthen education and encourage entrepreneurship.”²

The U.S. Economy is Vibrant ³

- The U.S. economy has had 20 straight quarters of uninterrupted growth.
- Last week the U.S. Labor Department announced 167, 00 new jobs were created in December.
- There have been over seven million jobs created since August of 2003 – more than all of the European Union and Japan combined.
- Unemployment is low at 4.5%. (I want to work to make sure minorities are not disproportionately represented within the 4.5%).
- Real after-tax income per person has risen by 9.4% since the President took office.

The U.S. still has challenges in certain sectors and regions, and the Gulf Coast is still recovering from Katrina and Rita. Yet, I note again, Americans possess an *entrepreneurial spirit* driven by innovation and competition. I am confident the U.S. economy will continue to demonstrate its resiliency and

² The American Competitive Initiative, Domestic Policy Council, Office of Science and Technology Policy, February 2006. Washington, D.C.

³ The White House – JOBS Talking points.

elasticity to recover and to absorb economic shocks and challenges . . . whether from 911, corporate scandal or natural disasters. I am optimistic because “today in the 21st Century global economy, foreign companies find the U.S. to be their strongest market.”

Conclusion

Let there be no doubt in anyone’s mind . . . “*the success or failure of minority-owned businesses will increasingly drive the success or failure of the overall U.S. economy.*”⁴ This is why MBDA has deemed minority business enterprises as *the* national priority. We are committed to assisting minority business enterprises in taking charge of their destiny and realizing their dreams. MBDA and I are here to build a relationship with the City of Mobile and its business community. We welcome this partnership and we will strive to earn your friendship and trust.

Together, with our ongoing effort in Birmingham and efforts along the Gulf Coast, there is much to achieve. I want to see the South, particularly along the Gulf Coast, *re-emerge* as one of the preeminent competitive and innovative business region in America. Minority business enterprises have a tremendous stake in the future of this City and the Nation. On behalf of the President and the Secretary of Commerce, thank you.

⁴ Ibid. *The Life Cycle of a Minority-Owned Business: Implication for the American Economy*, Dr. Matthew Slaughter, Tuck School of Business.